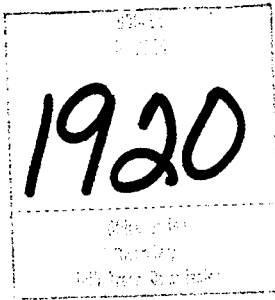


APPENDIX A

REQUEST LETTER



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON, D.C. 20508

NOV - 1 1996

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OFFICE OF THE SECRETARY
U.S. INT'L TRADE COMM.
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The Honorable Marcia Miller
Chairman
U.S. International Trade Commission
500 E Street, S.W.
Washington, D.C. 20436

Dear Madam Chairman:

Increasing economic ties among the complex and rapidly growing economies of the Asia Pacific Economic Cooperation (APEC) forum region have heightened awareness of remaining barriers to trade in these 18 members' economies. A substantial share of world trade is conducted in the APEC region. The Administration needs to assess the effects of reducing barriers to APEC trade and investment in a manner which takes into account the full range of barriers and distortions currently in operation.

The APEC agenda has moved beyond traditional concerns of tariff reduction to embrace such issues as non-tariff barriers, deregulation, intellectual property rights, standards and conformance, customs procedures, investment, oligopolistic behavior, services, and government procurement. The recognition that present policies and practices can induce barriers and distortions to trade and investment has led to examination of the potential for trade liberalization through changes in these policies and practices.

The use of general equilibrium, economy-wide modeling of trade liberalization has contributed substantially to public understanding of the benefits of earlier rounds of trade liberalization. Historically, such modeling has focused on liberalization of tariffs and quantitative restrictions to trade whose measurement is relatively straightforward. As trade and investment liberalization now covers a much wider range of issues, it is essential that analysis of such liberalization moves toward unifying expertise in these new issues with traditional modeling tools. Such new modes of analysis will lead to a more comprehensive understanding of current barriers to trade and improved assessments of the benefits of further liberalization.

To aid us in this assessment, under authority delegated by the President and pursuant to section 332(g) of the Tariff Act of 1930, as amended, I request that the Commission institute an investigation to review research analyzing the implications of APEC trade liberalization within the context of a broad understanding of tariff and non-tariff barriers. The Commission's investigation should be confined to reviews of work meeting recognized academic standards.

In conducting this investigation, I request that the Commission organize a public symposium in Washington, D.C. in which economic researchers would be invited to present papers on their research on the economic environment in APEC and the implications for future trade liberalization. Such papers would fall into three categories:

- Papers identifying and assessing the impact of barriers to trade and investment in the APEC region other than tariff barriers and quantitative restrictions. This category includes any other non-tariff barriers as well as policies and practices with respect to regulation, intellectual property rights, standards and conformance, customs procedures, investment, oligopolistic behavior, services, and/or government procurement which materially limit trade and investment but for which there has hitherto been relatively little quantitative assessment.
- Papers emphasizing general equilibrium modeling of APEC liberalization with economy-wide perspectives.
- Papers which bridge and synthesize the above two areas of interest would be particularly welcome.

To promote an objective, critical assessment of this body of inquiry, economic researchers recognized as experts in their fields should be invited to provide a critical assessment of the merits and limitations of the methods and data employed in the research. For balance, there should be a minimum of two such written comments for each invited paper presented in the symposium. Each session will include public discussion of papers and discussants' comments. Furthermore, all papers presented in the symposium are expected to describe any technical assumptions and methods employed to obtain the results presented and provide full details about the data and scenarios evaluated.

I would envisage a report on this investigation consisting of four parts: (1) an assessment of the principal results presented at the symposium, both with respect to identified trade barriers and distortions in the APEC area and with respect to modeling of APEC liberalization, (2) a compilation of the technical papers submitted in the symposium, together with any revisions or comments the authors may make in response to the critiques received in the symposium, (3) a compilation of the written critiques of those papers, and (4) an objective summary and critical evaluation by the Commission of the analytical frameworks and of the main findings of these papers.

Although the research papers presented will likely be of a technical nature, the Commission's summary should address a broader, nontechnical audience. The summary should focus on the major economic findings of the research presented, as well as on any underlying patterns suggested by the body of research results. It should identify areas of broad consensus as well as areas of differences and a critical assessment of these differences. The summary should also detail what has been learned about barriers and distortions currently not subject to formal

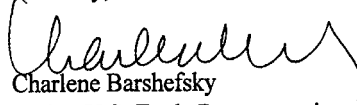
quantitative assessment and how such assessment might be developed in the future. Such a summary will be invaluable to the Administration in assessing the issues raised within APEC negotiations.

Since discussions regarding trade policy changes are ongoing in APEC, I request that the symposium and the Commission's final report, with symposium papers as revised, be made available within 18 months of receipt of this letter.

In view of the outstanding instruction to the Commission on the security classification of reports prepared by the Commission at the request of the U.S. Trade Representative, it is the expectation of this office that the Commission's report will be made available to the public in its entirety. Therefore, the report should not contain confidential business or national security information.

The Commission's assistance in this matter is greatly appreciated.

Sincerely,



Charlene Barshefsky
Acting U.S. Trade Representative

APPENDIX B

FEDERAL REGISTER NOTICE

Commission may also be obtained by accessing its internet server (<http://www.usitc.gov> or <ftp://ftp.usitc.gov>).

SUPPLEMENTARY INFORMATION:

Background.—These investigations are being instituted in response to a petition filed on November 26, 1996, by the Paslode Division of Illinois Tool Works Inc., Vernon Hills, Illinois.

Participation in the investigations and public service list.—Persons (other than petitioners) wishing to participate in the investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided in sections 201.11 and 207.10 of the Commission's rules, not later than seven days after publication of this notice in the Federal Register. Industrial users and representative consumer organizations have the right to appear as parties in Commission antidumping investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to these investigations upon the expiration of the period for filing entries of appearance.

Limited disclosure of business proprietary information (BPI) under an administrative protective order (APO) and BPI service list.—Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in these investigations available to authorized applicants representing interested parties (as defined in 19 U.S.C. 1677(9)) who are parties to these investigations under the APO issued in the investigations, provided that the application is made not later than seven days after the publication of this notice in the Federal Register. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Conference.—The Commission's Director of Operations has scheduled a conference in connection with these investigations for 9:30 a.m. on December 17, 1996, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact Larry Reavis (202-205-3185) not later than noon, December 16, to arrange for their appearance. Parties in support of the imposition of antidumping duties in these investigations and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference. A nonparty who has testimony that may aid the Commission's deliberations may

request permission to present a short statement at the conference.

Written submissions.—As provided in sections 201.8 and 207.15 of the Commission's rules, any person may submit to the Commission on or before December 20, 1996, a written brief containing information and arguments pertinent to the subject matter of the investigations. Parties may file written testimony in connection with their presentation at the conference no later than three days before the conference. If briefs or written testimony contain BPI, they must conform with the requirements of sections 201.6, 207.3, and 207.7 of the Commission's rules.

In accordance with sections 201.16(c) and 207.3 of the rules, each document filed by a party to the investigations must be served on all other parties to the investigations (as identified by either the public or BPI service list), and a certificate of service must be timely filed. The Secretary will not accept a document for filing without a certificate of service.

Authority: These investigations are being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.12 of the Commission's rules.

By order of the Commission.

Issued: November 27, 1996.

Donna R. Koehnke.

Secretary.

[FR Doc. 96-30823 Filed 12-03-96; 8:45 am]

BILLING CODE 7020-02-P

[Investigation 332-372]

The Economic Implications of Liberalizing APEC Tariff and Nontariff Barriers to Trade

AGENCY: United States International Trade Commission.

ACTION: Institution of investigation, scheduling of public symposium, and call for papers.

EFFECTIVE DATE: November 25, 1996.

SUMMARY: Following receipt on November 1, 1996 of a request from the U.S. Trade Representative, the Commission instituted Investigation No. 332-372, The Economic Implications of Liberalizing APEC Tariff and Nontariff Barriers To Trade, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)). As requested, the investigation will seek to provide an objective, critical report, based on a symposium to be held by the Commission, on the identification and assessment of the impact of nontariff barriers (NTBs) to trade and investment in APEC and on the general equilibrium modeling of

APEC trade liberalization. The Commission will confine the investigation to studies that are already underway or have been recently completed. The Commission will offer the opportunity for all economic researchers selected for participation in the symposium to present their findings on the evaluation of NTBs to trade and investment in the APEC region and the general equilibrium modeling of APEC trade liberalization at the symposium. To promote an objective, critical assessment of this body of inquiry, economic researchers recognized as experts in their fields will also be designated to provide a critical assessment of the merits and limitations of the methods and data employed in the research. The final report will be submitted to USTR approximately six months after the symposium. The final report will consist of four parts: (1) an assessment of the principal results presented at the symposium, both with respect to identified trade barriers and distortions in the APEC area and with respect to modeling of APEC liberalization, (2) a compilation of the technical papers submitted in the symposium, together with any revisions or comments the authors may make in response to the critiques received in the symposium, (3) a compilation of the written critiques of those papers, and (4) an objective summary and critical evaluation by the Commission of the analytical frameworks and of the main findings of these papers.

FOR FURTHER INFORMATION CONTACT:

Nancy Benjamin, Office of Economics, at (202-205-3125). The media should contact Margaret O'Laughlin, Office of External Relations (202-205-1819). Hearing impaired individuals are advised that information on this matter can be obtained by contacting the TDD terminal on (202-205-1810).

Call for Papers

The Commission encourages all parties currently engaged in the evaluation of NTBs to trade and investment among APEC members or the general equilibrium modeling of APEC trade liberalization to present their work at the symposium. The purpose of the symposium is to examine critically, through peer review by recognized experts, studies recently completed or currently being developed that meet recognized academic standards. Research within the scope of this investigation include the following:

- Papers identifying and assessing the impact of barriers to trade and investment in the APEC region other than tariff barriers and quantitative

restrictions. This category includes any other non-tariff barriers as well as policies and practices with respect to regulation, intellectual property rights, standards and conformance, customs procedures, investment, oligopolistic behavior, services, and/or government procurement which materially limit trade and investment but for which there has hitherto been relatively little quantitative assessment.

- Papers emphasizing modeling of APEC trade liberalization with economy-wide perspectives.
- Papers which bridge and synthesize the above two areas of interest would be particularly welcome.

Papers presented at the symposium must meet the following criteria:

(1) All papers must describe any technical assumptions and methods employed to obtain the results presented and provide full details about the data and scenarios evaluated. This requirement is critical because the purpose of the symposium is to provide an objective critical assessment of this research.

(2) The research described in papers emphasizing modeling of APEC trade liberalization must be economy-wide in scope, whether they are multi-country models or single-country models. Economy-wide models include all sectors of the economies represented, though with varying degrees of disaggregation, and allow for explicit analysis of the complex interactions inherent in comprehensive economic policy changes, such as free trade agreements, even when the focus of such analysis is on a particular sector. Research within the scope of this investigation include both (i) computable general equilibrium (CGE) trade policy modeling; and (ii) economy-wide, multi-sector macroeconomic models. The research should take into account the effects of APEC trade liberalization on production, income, trade, employment, and prices. Because scheduling will be tight, persons interested in presenting papers or participating as discussants should submit a curriculum vitae and description of the relevant research to Nancy Benjamin (202-205-3125) or William Donnelly (202-205-3223), Research Division, Office of Economics, U.S. International Trade Commission, by May 30, 1997.

Discussants will be designated to provide detailed written critiques of the papers reviewed. All papers to be presented must meet recognized academic standards. It is also required that all papers be technically transparent and provide technical details about the methods and data

employed to obtain results. The final scheduling of papers and discussants will be made by Commission staff and will be published in a subsequent Federal Register notice by July 15, 1997. All papers must be provided to the Commission in a form ready for distribution 30 days prior to the symposium, and must meet the criteria outlined above.

SYMPOSIUM: The symposium will be held on September 11 and 12, 1997 at the U.S. International Trade Commission, 500 E Street, SW., Washington DC. Members of the public may attend the symposium and there will be an opportunity for brief technical comments on the papers from the audience. Those who would like to attend the symposium are requested to indicate their intention by sending a letter or fax to the Office of Economics, U.S. International Trade Commission (fax no. 202-205-2340) by September 2, 1997.

By order of the Commission.

Issued: November 27, 1996.

Donna R. Koehnke.

Secretary.

[FR Doc. 96-30896 Filed 12-03-96; 8:45 am]

BILLING CODE 7020-02-P

DEPARTMENT OF JUSTICE

Notice of Lodging of Consent Decree Pursuant to the Comprehensive Environmental Response Compensation and Liability Act of 1980 as Amended

In accordance with Department of Justice policy, 28 CFR 50.7 notice is hereby given that a proposed consent decree in *United States v. Farber, et al.*, Civil No. 86-3736, was lodged on November 19, 1996, with the United States District Court for the District of New Jersey. The decree resolves claims against Benjamin Farber in the above-referenced action under the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA") for contamination at the Syncon Resins Site in South Kearny, New Jersey (the "Site"). In the proposed consent decree, Mr. Farber agrees to a judgment against him in the amount of \$19 million, agrees to reimburse the Environmental Protection Agency ("EPA") for \$750,000 in past response costs incurred by EPA at the Site, pay the net proceeds of the sale of the Site and pay a percentage of any insurance recovery relating to the Site. This settlement was reached based on an assessment of Mr. Farber's ability to pay.

The Department of Justice will receive, for a period of thirty (30) days from the date of this publication, comments relating to the proposed consent decree. Comments should be addressed to the Assistant Attorney General for the Environment and Natural Resources Division, Department of Justice, Washington, D.C. 20530, and should refer to *United States v. Farber, et al.*, DOJ Ref. Number 90-11-3-116.

The proposed consent decree may be examined at the Office of the United States Attorney, 970 Broad St., Room 502, Newark, New Jersey, 07102; the Region II Office of the Environmental Protection Agency, 290 Broadway, New York, NY 10278; and the Consent Decree Library, 1120 G Street, N.W., 4th Floor, Washington, D.C. 20005, (202) 624-0892. A copy of the proposed consent decree may be obtained in person or by mail from the Consent Decree Library. In requesting a copy, please refer to the referenced case and enclose a check in the amount of \$8.00 for the Consent Decree (25 cents per page reproduction costs), payable to the Consent Decree Library.

Bruce S. Gelber.

Deputy Section Chief, Environmental Enforcement Section, Environment and Natural Resources Division.

[FR Doc. 96-30891 Filed 12-3-96; 8:45 am]

BILLING CODE 4410-15-M

Notice of Lodging of Settlement Agreements Pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act

Notice is hereby given that proposed Settlement Agreements in *United States v. H. K. Porter Company, Inc., et al.*, Civil Action No. 96C-579 and *In Re H. K. Porter Company, Inc.*, Bankruptcy No. 91-00468WWB were lodged with the United States District Court for the Western District of Pennsylvania on November 4, 1996 and filed with the United States Bankruptcy Court for the Western District of Pennsylvania on November 6, 1996. The proposed Settlement Agreements resolve the claims of the plaintiff, the United States of America, filed against defendant, H. K. Porter, Inc. ("Porter") in district court and bankruptcy court pursuant to Sections 106 and 107 of the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), 42 U.S.C. 9601 *et seq.*

The Settlement Agreements pertain to the Bollinger Steel Superfund Site ("Site"), located in the Borough of Ambridge, Beaver County, Pennsylvania. They require Porter, a

APPENDIX C

PROGRAM FOR THE SYMPOSIUM

Evaluating APEC Trade Liberalization: Tariff and Nontariff Barriers

**September 11-12, 1997
U.S. International Trade Commission
Washington, DC 20436**

September 11, 1997--9:00am--Opening remarks by Chairman Miller

9:15am

*Session Chair -- Robert Weiner, George Washington University
SAIS, Johns Hopkins University*

1. Trade Policy Measures

Magnus Blomström
Stockholm School of Economics

Regional Integration and Foreign Direct Investment

David Richardson
Syracuse University

Competition Policies and Trade in an Asia-Pacific Context

Break 10:30am

10:45am

Session Chair -- Robert Hahn, American Enterprise Institute and Harvard University

2. Deregulation

Clifford Winston
Brookings Institution

U.S. Industry Adjustment to Economic Deregulation

Claude Barfield
American Enterprise Institute

Deregulation and Trade

Break 12:00pm

1:30pm--Opening remarks by Commissioner Crawford

1:35

Session Chair --Edward Lincoln, The Brookings Institution

3. Case Studies A

Mark Tilton
Purdue University

Japanese Group Boycotts and Closed Government Procurement as Barriers to Trade

Diane Manifold
U.S. International Trade Commission

Japanese Corporate Activities in Asia: Implications for U.S.-Japan Relations

2:45pm

Session Chair – José Tavares de Araujo, Organization of American States

4. Case Studies B

Yu-Shi Mao
Unirule Institute of Economics

China's Nontariff Trade Barriers

David Ingersoll
U.S. International Trade Commission

*Barriers to Trade in Selected Sectors by
ASEAN Members: How Important are
NTBs? (with Kim Frankena)*

Break 3:45pm

4:00pm

Session Chair – Dennis Yao, University of Pennsylvania

5. Business Networks

James E. Rauch
University of California, San Diego

*Ethnic Chinese Networks in
International Trade (with Vitor Trindade)*

Gary Hamilton
University of Washington

*The Organization of the Taiwanese and
South Korean Economies: A Comparative
Analysis (with Robert Feenstra)*

September 12, 1997--9:15am--Opening remarks by Vice Chairman Bragg

9:20

*Session Chair – Carlos Alberto Braga, Telecommunication & Informatics Division
World Bank*

6. Services and Intellectual Property Rights

Walter Park
American University

*Patent Systems in APEC: Role in
Nontariff Trade Barriers and Strategic
Trade Policies*

Ray Trewin
The Australian National University

*Measuring Trade Impediments to Services
within APEC (with Malcolm Bosworth,
Christopher Findlay, and Tony Warren)*

Break 10:30am

10:45am

Session Chair -- Maurice Schiff, World Bank

7. Public Practices

Simon Evenett
Rutgers University and The Brookings
Institute

*The Effect of Liberalizing Government
Procurement Practices on APEC Nations'
Imports*

Praveen Dixit
Economic Research Service, USDA

*State Trading in Agriculture: an Analytical
Framework (with Tim Josling)*

1:30pm

Session Chair -- Jeffrey Lewis, World Bank

8. General Equilibrium Modeling of Trade Liberalization A

Innwon Park
National University of Singapore

*Strategic Interests of ASEAN in Regional
Trading Arrangements in the Asia-Pacific
Region (with Kong-Yam Tan, and Mun-
Heng Toh)*

Philippa Dee
Industry Commission, Australia

*The Comprehensiveness of APEC's Free
Trade Commitment*

2:45pm

Session Chair -- Ellen E. Meade, Federal Reserve

9. General Equilibrium Modeling of Trade Liberalization B

Shujiro Urata and Hiroki Kawai
Waseda University, Japan

*The Cost of Regulation in the Japanese
Service Industry*

Xinshen Diao
Economic Research Service, USDA

*Liberalizing APEC Trade in Services
(with Nancy Benjamin)*

Break 3:45pm

4:00pm

Session Chair – Ralph Bryant, The Brookings Institution

10. Dynamic Modeling of Trade Liberalization

Mun S. Ho
Harvard University

*Modeling Trade Policies and U.S Growth:
Some Methodological Issues (with
Dale Jorgenson)*

Warwick McKibbin
The Australian National University
and The Brookings Institution

*Regional and Multilateral Trade
Liberalization: The Effects on Trade,
Investment and Welfare*

APPENDIX D

ABSTRACTS OF THE PAPERS

Abstracts

Regional Integration and Foreign Direct Investment

Magnus Blomström

This paper discusses how regional integration agreements may affect the inward and outward flows of foreign direct investments in the integrating region. It presents a conceptual framework for analysis and evidence from three case studies focused on different kinds of regional integration: North-North integration (Canada-U.S. FTA), North-South integration (NAFTA), and South-South integration (MERCOSUR). The investment response to an integration agreement is found to depend on: the motives for foreign direct investment in and by the country or region in question, the policy environment changes brought about by the agreement, the locational advantage of the country or region, and the competitiveness of local firms in the integrating region.

Competition Policies and Trade in an Asia-Pacific Context

J. David Richardson

"Behind the border" barriers to international trade and investment raise issues from the realm of competition policy. The paper describes the fundamental purposes of competition policies and how they interact with trade and investment policies. It then presents a ranking of competition policy issues according to the degree of economic and political consensus on directions leading to significant welfare improvements. These policy issues are then evaluated according to particular characteristics of the East Asian context. Vertical integration, strategic alliances, regulatory exemptions for certain sectors or regions, and national treatment for investors were identified as especially promising areas for greater convergence of approach among APEC members. The paper then proposes cooperative measures and the negotiation of a Trade-Related Antitrust Measures (TRAMs) agreement as productive, natural outgrowths of current trade dispute resolution.

U.S. Industry Adjustment to Economic Deregulation

Clifford Winston

This paper develops a framework to analyze the long run adjustment of U.S. industries to economic deregulation, highlighting the role of intensified competition, innovations in operations, marketing, and technology, and adjustments to external shocks. I apply this framework to industries that have recently undergone substantial deregulation--airlines, motor carriers, railroads, banks, and natural gas--and conclude that these industries have become far more efficient because of deregulation and provided large benefits to consumers. I conclude that the same adjustment process and positive outcome for consumers will result from the forthcoming deregulation of communications and electricity.

Regulatory Reform and Trade Liberalization

Claude Barfield

This study points out that both trade liberalization and regulatory reform aim to achieve truly contestable markets. After describing the nature and benefits of domestic regulatory reform, the paper proposes harnessing regulatory reform to the purposes of trade liberalization. The basic principles of transparency, national treatment, minimal distortion of trade, and due process are proposed for governing the commitments of WTO members in future negotiations that relate to domestic regulations, such as those affecting services. For regulatory requirements such as product standards and testing, international Mutual Recognition Agreements are recommended as a means to increase market contestability. Eventually the WTO could provide the framework for negotiating an international code of regulatory rules.

Japanese Group Boycotts and Closed Government Procurement as Barriers to Trade

Mark Tilton

This paper draws on my book, *Restrained Trade: Cartels in Japan's Basic Materials Industries* to look at two industries in which Japan has high domestic prices, but few imports and a large volume of exports. The study considers arguments that quality problems account for low import penetration in Japan, but finds it is not a sufficient explanation. Rather, in both the cement and steel cases a host of non tariff barriers block imports into the market. Private barriers, that by rights ought to be dismantled by Japan's Fair Trade Commission, include group boycotts or refusals to deal, in which an industry as a group agrees to deny sales to a firm in order to prevent it from going around the industry's cartel. Far from stamping out private non-tariff barriers, the weight of the Japanese government's policies has been to support and supplement them.

Japanese Corporate Activities in Asia: Implications for U.S.-Japan Relations

Diane L. Manifold

In Japan, certain business practices that are employed by the keiretsu to maintain stability and prices have the effect of raising the costs and risks of doing business for outsiders, and of making it difficult to access the market. A central question about Japanese investments abroad is whether similar organizational structures and practices of keiretsu are in evidence in markets with extensive Japanese investments. If this is the case, what are the likely implications for foreign market access as a result of such activities? There is a possibility that the keiretsu integrated across borders and operating in downstream distribution channels could become exclusive or closed to non-keiretsu companies. In both cases, from an international trade policy viewpoint, this could constitute a "Transplanted Trade Barrier" (TTB) or measures, policies or practices which, when transferred from one economy to another may have the impact of impeding imports or market access. This paper provides additional insight into the organization and functions of keiretsu in selected countries, particularly with regard to their implications for market access. Based on a survey of Japanese companies in three Asian economies, a majority of Japanese affiliated companies have ties to the keiretsu in Japan. The companies include manufactures, suppliers, retailers, banks and trading companies which are involved in the production and distribution of both capital and consumer goods. The "keiretsufication" of certain industries may affect market opportunities in Asia for non-keiretsu suppliers and distributors, including both domestic and foreign firms.

China's Nontariff Trade Barriers

Yu-shi Mao

During the Pre-reform period in China, planned economy determined the policy and practice in foreign trade sector which is used as a means to balance shortage and surplus. Trading companies were not profit oriented. Examples of allocation distortion are given. The state-ownership exacerbate these distortions. After reform began, restructuring in trading sector gradually removed these distortions, but still a lot to be done. Major non-tariff barriers are discussed, especially regarding entry and foreign exchange. All forms of non-tariff barriers are counted according to the "General list of tariff and non-tariff measures for import/export." A section focusing on the efficiency loss due to these barriers are expounded. Finally, the prospect of future changes are expected, particularly on the problem on equity and efficiency in international trade.

Barriers to Trade in Selected Sectors by ASEAN Members: How important are NTBs?

Kim Frankean and David Ingersoll

At the November 1997 Vancouver Ministerial, APEC Ministers pledged to dismantle barriers via pursuit of liberalization in selected sectors. This paper identifies sectors facing barriers in multiple Southeast Asian markets, measures the gap between domestic and imported prices for products within one of those sectors (petrochemicals), and identifies governmental policies in one ASEAN market (Thailand) that may explain such price gaps. It finds that relatively few sectors face barriers across multiple ASEAN markets, that gaps between domestic and imported prices exist for petrochemicals in Thailand that cannot be explained by tariffs alone, and that Thai policy, notably government ownership and support, have played a major role in the Thai petrochemical market. Still, price gaps have shrunk considerably in recent years, in line with a gradual governmental retreat from past policies and steady build-up of domestic capacity.

Ethnic Chinese Networks in International Trade

Victor Trindade and James E. Rauch

Ethnic Chinese networks, as proxied by ethnic Chinese population shares, are found to have a positive effect on bilateral international trade, especially in differentiated products. Evidence is presented indicating that this effect is unlikely to be attributable to any cross-country taste similarity created by ethnic Chinese populations. Ethnic Chinese networks are estimated to increase differentiated product trade for the typical APEC country pair by 30.2 percent in 1990. Some tentative welfare conclusions and even more tentative policy recommendations are also presented.

The Organization of the Taiwanese and South Korean Economies: A Comparative Analysis

Robert Feenstra and Gary G. Hamilton

With case studies of Korea and Taiwan, this paper examines the development and implications of contrasting types of economic structures expressed through different forms of business networks. Detailed firm-level data on the proportions of intra-group sales reveals a small number of large, vertically integrated business groups in Korea and many smaller business groups selling intermediate goods to independent downstream firms in Taiwan. The study then describes a formal model of firms' pricing decisions under conditions allowing entry and exit of both business groups and independent firms. Simulation of the model shows that several configurations of inter-firm networks represent stable outcomes of cross-market pricing decisions, and that two of these outcomes approximate the organization of the Korean and Taiwanese economies. While model results indicate that more than one kind of economic organization is economically rational, nothing in the theory itself would suggest that economic factors alone predispose an economy to any one type of economic organization.

Patent System in APEC: Role in Nontariff Trade Barriers and Strategic Trade Policies

Walter G. Park

Do differences in national patent systems constitute nontariff barriers to trade (NTBs)? Are national patent systems an instrument of strategic trade policy (STP)? Is the harmonization of patent systems necessary to reduce patent-related NTBs and STPs? This paper describes the state of patent laws across APEC nations, examines case studies of patent-related NTBs and STPs, and assesses whether patent harmonization in APEC will help reduce trade distortions. It is argued that some patent reforms are needed to reduced or avoid patent-related NTBs and STPs, that the harmonization of patent laws itself is a limited solution. Patent laws per se are often not the source of trade distortion by the practices of strategic private and public interests. More attention needs to be shifted to competition rules and to determining which features of patent systems are most conducive to social welfare

Measuring Trade Impediments to Services within APEC

Malcolm Bosworth, Christopher Findlay, Ray Trewin and Tony Warren

The measurement of impediments to trade in services within the APEC region is addressed in this paper. This work builds upon major methodological and practical issues encountered in measuring such impediments in the 1995 PECC Survey of Impediments to Trade and Investment in the APEC Region. Conceptual and measurement issues in deriving partial equilibrium estimates of the effects of service trade impediments are discussed. The feasibility and use of partial estimates, especially price-impact measures, as a means of benchmarking competitive outcomes is examined. A current joint research project involving the Australian National University, the Australian Industry Commission and the University of Adelaide will be drawn upon in which a seven step approach is being developed to identify, evaluate and measure the impact of Australian impediments to services trade. Australia's telecommunications sector is used as a case study of how to measure the domestic economic efficiency gains of regulatory reforms. Some important areas for future work, including the important link to services trade of foreign direct investment controls, are highlighted. Such work should be of interest to economic modellers as it will provide some insights into how partial measures of impediments can be constructively used to model the economic gains from trade liberalisation of services within APEC.

Liberalizing Government Procurement in APEC Nations

Simon J. Evenett

In recent years East Asian nations have increased their expenditures on infrastructure projects, raising the concern that biased government procurement policies are retarding the growth of import volumes. The effect of central government procurement policies (which result in all purchases of tradeable goods being supplied by domestic producers) on bilateral import volumes is modeled and then estimated using data from fourteen APEC nations. These estimates are used to forecast the percentage increase in a nation's import volumes should its central government procurement policies cease entirely to discriminate against foreign suppliers of tradeable goods. The forecasted increases were larger in nations where the ratio of government spending on tradeable goods to its private sector's spending on tradeable goods is larger. Since this ratio differs significantly across the fourteen APEC nations studied, the percentage increase in import volumes due to liberalizing government procurement policies varies from approximately one per cent for Australia, Canada and the United States to approximately twelve per cent for Indonesia, Malaysia and Singapore.

State Trading in Agriculture: An Analytical Framework

Praveen M. Dixit and Tim Josling

This paper highlights some of the recent concerns regarding agricultural state trading enterprises (STEs) and proposes an analytical framework to examine the trade impacts of such entities. Issues associated with discriminatory pricing, exclusive rights to sell and purchase commodities, and unfair competitive advantage vis-a-vis private traders are expected to be major concerns on the export side, while on the import side, the relevance of tariffication in the presence of STEs is being questioned. Our paper proposes that, in most instances, tariff equivalents are the most relevant methodology to quantify the trade impacts of agricultural STEs. But, obtaining empirical information that would enable the calculation of such measures is not an easy task. To that end, a classification scheme which highlights the different types of STEs in terms of their ability to distort trade is proposed. Quantification can then focus on those most likely to impact trade.

Strategic Interests of ASEAN in Regional Trading Arrangements in the Asia-Pacific Region

Innwon Park, Kong-Yam Tan and Mun-Heng Toh

This paper examines the strategic interests of ASEAN countries within APEC when forming regional alliances in the pursuit of trade liberalization. Employing a Computable General Equilibrium (CGE) model, the effects of the various Free Trade Area arrangements on ASEAN as a whole as well as on each individual ASEAN country are analyzed. The model adopts the Almost Ideal Demand System (AIDS) specification for imports. This specification allows import expenditure elasticities to be different from one and allows cross-country substitution elasticities to vary for different pairs of countries. The model also specifies avenues for trade-productivity links. A strong case is made for ASEAN to extend the boundaries of its trade liberalization strategy to a larger regional framework.

The Comprehensiveness of APEC's Free Trade Commitment

Philippa Dee

Comprehensiveness is an important feature of APEC's goal of free and open trade and investment. Both services trade liberalisation and trade facilitation measures add significantly to the benefits from liberalisation of merchandise trade. But were agriculture to be excluded, the APEC region would forgo benefits amounting to fully 60 per cent of the gains from liberalisation of merchandise trade. Not only would the efficient agricultural exporters in the region stand to lose in an economy-wide sense, but so too would the economies that currently maintain relatively high protection of agriculture and rob themselves of gains from improved efficiency and greater specialisation. Comprehensiveness is also important as a principle guiding progress. The efficiency costs of trade restrictions are a function of disparities in assistance, as much as of levels. Liberalisation efforts that focus on lowly or moderately assisted sectors, leaving untouched the high levels of assistance in sensitive sectors, risk increasing the disparities in assistance. The potential costs of this approach are illustrated by examining the impact of some of the likely nominations for 'early voluntary liberalisation' initiatives.

The Cost of Regulation in the Japanese Service Industry

Hiroki Kawai and Shujiro Urata

The Japanese service industry has expanded rapidly, accounting for more than three-quarters of its GDP or employment in the 1990's. However, the Japanese service industry suffers from inefficiency and the prices of services are high. These unfavorable characteristics of the Japanese service industry, which are largely due to extensive regulations, result in substantial costs to the Japanese economy. The simulation results, using a CGE model, indicate that the cost of regulations in the service industry is as large as nine percent of GDP. The cost to an average Japanese consumer would be approximately 270,000 yen or US\$2,300.

Liberalizing Services Trade in APEC: A General Equilibrium Analysis with Imperfect Competition

Nancy Benjamin and Xinshen Diao

This paper presents a general equilibrium investigation of services trade liberalization in APEC using a global multi-country, multi-sector applied general equilibrium model with an imperfectly competitive service sector. Reducing the service sector's nontariff barriers is modeled by eliminating the possibility for oligopolistic firms to price-discriminate between client countries within APEC and lowering the fixed costs of the firms doing service exporting business. The results suggest that services trade liberalization almost systematically reinforces existing trade balances. The increase in demand for intermediate

services tends to reinforce rather than counteract the role of primary factors in determining sectoral comparative advantage. Tariff liberalization in the region has a contrasting effect on trade and welfare compared to services liberalization. The Western APEC members received the greatest welfare gains from services trade liberalization, while the developing economies which start out with the highest levels of tariff protection gained more if only tariffs were eliminated.

Modeling Trade Policies and U.S. Growth: Some Methodological Issues

Mun S. Ho and Dale W. Jorgenson

Most analyses of trade policies are now done using dynamic numerical models. These intertemporal equilibrium models have proven very useful in discussing the link between policy and growth. There are, however, many difficult methodological issues that must be confronted in implementing such models, problems that are absent in traditional static models. We discuss some of these implementation issues and present our approach in dealing with them. We report the result of simulating the elimination of tariff and nontariff in the U.S. to illustrate the effects of considering dynamic effects.

Unilateral Verses Multilateral Trade Liberalization: The Importance of International Financial Flows

Warwick J. McKibbin

This paper explores the impact on economies of trade liberalization under alternative regional and multilateral arrangements: unilateral liberalization; liberalization as part of the ASEAN regional grouping; liberalization as part of the APEC regional grouping; or liberalization as part of a multilateral trade liberalization regime. The paper is based on a Dynamic Intertemporal General Equilibrium model (DIGEM) called the Asia-Pacific G-Cubed Model. It is shown that the long run gains from a country's own liberalization tend to be large relative to the gains from other countries liberalizing although this varies across countries. It is also shown that there is a significant difference between the effects on GDP (production location) and the effects on consumption per capita of the alternative liberalization approaches across countries. The timing of liberalization is also shown to matter. With open capital markets the gains from credibly announced trade liberalization are realized before the reforms are put in place because there is a rise in global investment which raises the global capital stock. In addition there is a reallocation of capital via financial market adjustment. This paper also demonstrates that for some economies, there can be short run adjustment costs to trade liberalization because resources cannot be instantly reallocated across sectors in an economy. These adjustment costs from own liberalization can be reduced if more countries also liberalize. The nature of the dynamic adjustment suggests that other macroeconomic policies may play an important role during the early period of phased-in trade liberalization.

APPENDIX E

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